

10th May, 2016.

To: The Mayor and Each Member of Limerick City and County Council

**AUDIT COMMITTEE ANNUAL REPORT
DECEMBER 2014 TO DECEMBER 2015**

A Chomhairleoir, a chara,

In accordance with Section 15 of the Local Government (Audit Committee) Regulations, 2014, the Audit Committee is required to prepare a report detailing its considerations and findings for the year just expired in relation to all matters within its authority, duties and functions and send same to the Local Authority for consideration.

The Audit Committee held its inaugural meeting in December 2014 and I attach therefore, for your consideration, copy of the Limerick City and County Council Audit Committee Annual Report, December 2014 to December 2015.

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**Christy O'Connor,
Senior Executive Officer,
Corporate Services.**



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CATHRACH & CONTAE
Luimnigh

Limerick
CITY & COUNTY
COUNCIL

Audit Committee Annual Report
December 2014 to December 2015

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1 Introduction

Section 122 of the Local Government Act 2001 (as amended) and the Local Government (Audit Committee) Regulations 2014 provide for the establishment of Audit Committees in Local Authorities. The establishment and operation of Limerick City and County Council's Audit Committee has been carried out in compliance with the above legislation.

2 Membership of the Audit Committee

In accordance with Section (3) of the Local Government (Audit Committee) Regulations 2014, where the total revenue expenditure by a local authority in 2013 exceeded €150m, the membership of an audit committee shall consist of seven members and shall include not less than four external members, not more than three serving or retired elected members and three or more persons having knowledge or experience in finance, auditing or accounting. Appointment of members of an audit committee is a reserved function and following the Local Elections to the new merged authority in June 2014 the new Council appointed the following as members of the Audit Committee for Limerick City and County Council:

- Mr John Field, Head of Finance, University of Limerick.
- Mr Tony O'Brien, Management Consultant.
- Dr. Brid Quinn, Lecturer in Public Administration, University of Limerick.
- Damien Clancy, Chairman of Rusal Aughinish.
- Councillor Jerome Scanlan (Member of Limerick City & County Council)
- Councillor Shane Clifford (Member of Limerick City & County Council)
- Councillor James Collins (Member of Limerick City & County Council)

At the inaugural meeting of the newly formed Audit Committee for the merged authority Mr John Field was elected as Cathaoirleach of the Audit Committee.

Councillor Shane Clifford resigned from the Council and thereby from the Audit Committee with effect from 31st December 2015 and was subsequently replaced by Councillor Joe Pond. The Audit Committee acknowledges the contribution Councillor Clifford made to the work of the Audit Committee and wishes him well for the future.

3 Acknowledgements

Mr. Conn Murray, Chief Executive, Mr Pat Dowling, Director of Corporate Services, Mr Tom Gilligan, Head of Finance and Mr Eugene Griffin, SEO Corporate Services attended at meetings and supported the work of the Audit Committee. Mr Eugene Griffin retired during 2015 and the Audit Committee acknowledges the significant contribution he made to the promotion of Corporate Governance in the Council and we wish him well in his retirement. Mr Christy O'Connor replaced Mr Griffin as SEO Corporate Services and attended meetings of the Audit Committee. Mr Tom Gilligan left the Council near the end of 2015; the Audit Committee acknowledges the contribution Mr Gilligan made to managing the finances of

the Council and we wish him well in his new post. Mr Pat Dowling moved from the Corporate Services Directorate during the year and Mr Sean Coughlan is now Acting Director of Corporate Services and Finance and attends at meetings of the Audit Committee. Ms Carmel Kirby, Head of Change Management, gave a number of informative presentations to the Audit Committee. Mr. Tom O'Callaghan, Administrative Officer, Corporate Services acted as Secretary to the Audit Committee during 2015.

Limerick City and County Council provides resources to facilitate the Audit Committee's operation. The Committee acknowledges and appreciates the support of the Council, the Chief Executive and his staff in its work.

4 Role of the Audit Committee

The functions of the Audit Committee are as prescribed by section 122 of the Local Government Act 2001 (as amended) and expanded in the Audit Committee Charter as follows:

To review the financial and budgetary reporting practices and procedures within the local authority:

- This incorporates review and consideration of all aspects of the financial cycle within Limerick City & County Council from budget preparation and adoption, monitoring of income and expenditures through to the completion of the annual financial statements.
- The audit committee reviews financial management and reporting arrangements in addition to auditing existing financial policies, procedures, controls and protocols as it considers necessary.

To foster the development of best practice in the performance by the local authority of its internal audit function:

To fulfil this function the Audit Committee:

- Reviews with management and the internal auditor the charter, activities, staffing and organisational structure of the internal audit function, its compliance with relevant professional standards and bring any recommendations to the attention of the Chief Executive. In this regard, the Committee seeks to ensure that no limitations are placed on the work of the internal auditors or unit.
- Approves the audit plan and monitor its implementation.
- Reviews audit reports, findings and recommendations and management responses.
- Reviews, on an ongoing basis, the audit engagement process.

To review any audited financial statement, auditor's report or auditor's special report in relation to the local authority and assess any actions taken within that authority by its chief executive in response to such a statement or report, and report its findings to the local authority:

To fulfil this function the Audit Committee:

- Reviews with management and the external auditors the results of the statutory audit.
- Reviews with management and the external auditors the management letter and all matters required to be communicated to the committee under generally accepted auditing standards.
- Reports to Council on its findings at the next practicable meeting of Council.

To assess and promote efficiency and value for money with respect to the local authority's performance of its functions:

To fulfil this function the Audit Committee:

- Reviews management's arrangements to ensure and demonstrate economy, efficiency and effectiveness across the organisation.
- Requests special reports from management or internal auditors as considered appropriate.

To review systems that are operated by the local authority for the management of risks:

To fulfil this function the Audit Committee:

- Evaluates the scope and effectiveness of the framework established by management to identify, assess, monitor and effectively manage risk.
- Reviews the corporate risk management policy and receives presentations from management on corporate, directorate, divisional and sectional risk registers.

To review the findings and recommendations of the National Oversight and Audit Commission (NOAC) and the response of the Chief Executive to these and take further action as appropriate:

To fulfil this function the Audit Committee:

- Reviews the relevant findings of NOAC and ensure that its work programme takes NOAC's findings and recommendations into account.
- Requests special reports from management or internal audit as considered appropriate.

Following a competitive tendering process the Council appointed Deloitte and Touche to provide a range of specified internal audit services for a period of 3 years commencing on 5th March, 2015.

5 Activities

5.1 Meetings

The Audit Committee held its inaugural meeting on the 2nd December 2014. The following table shows a list of Audit Committee meetings held from then up to the end of 2015 and the attendance of the Audit Committee Members at same.

Date of Meeting	Cllr. Jerome Scanlan	Cllr. James Collins	Cllr. Shane Clifford	Tony O'Brien	Brid Quinn	Damien Clancy	John Field
02/12/2014	Yes	Yes	No	Yes	Yes	Yes	Yes
28/01/2015	Yes	Yes	No	Yes	Yes	No	Yes
11/02/2015	no	No	No	Yes	Yes	Yes	Yes
08/05/2015	no	No	Yes	Yes	Yes	Yes	Yes
02/07/2015	Yes	Yes	Yes	Yes	Yes	No	Yes
23/09/2015	No	No	Yes	Yes	Yes	Yes	Yes
11/12/2015	Yes	No	No	Yes	Yes	No	Yes

5.2 Development of Audit Committee Charter and Work Programme 2015

The Audit Committee noted the importance of clarifying its role and developing an Audit Committee Charter and an Audit Committee Work Programme for 2015 and considered the following documents in conjunction with same:

- Guidance for Audit Committees in Local Government issued by the Department of the Environment, Community and Local Government.
- Local Government (Audit Committee) Regulations, 2014.
- Draft Governance Framework for Local Government.
- Sample Local Government Audit Charter.

In response to a query, the Chief Executive informed the Committee that NOAC had not yet finalised the themes under which they would engage with Local Government.

Mr. Aidan Horan from the IPA attended at a meeting of the Audit Committee to provide advice in relation to the development of a charter and work plan for the Audit Committee and address the immediate training needs of the Audit Committee.

Mr. Horan gave a PowerPoint Presentation entitled “Audit Committee Training” and circulated a document entitled “Audit Committee Induction Training for Members – Local Government Audit Committee Functions (S59 Local Government Reform Act 2014)”.

Mr. Horan reviewed and discussed with the Audit Committee the suggested role and work programme for the Audit Committee under the following headings:

- The role the Audit Committee plays in the governance framework of the Council.
- The legislative background and requirements relating to Audit Committees in Local Government.
- The Audit Committee relationship with NOAC.
- Priorities for an annual work programme.
- The role of the Chairperson and Secretary of the Audit Committee.
- The Audit Committee’s interaction with the internal audit function and the Local Government Auditor.
- The impact and effectiveness of Audit Committees.
- The functions of the Audit Committee as set down in the Local Government Act 2001 and the possible approach that could be adopted to perform these functions, including related information sources.

A query was raised by the Audit Committee with regard to their role in relation to the Protected Disclosure Policy. It was noted that the Interim Policy embraces staff and contractors but not Council Members and is still under development by the Local Government Management Agency (LGMA).

The Audit Committee discussed how best to evaluate effectiveness and value for money in the organisation and considered areas such as procurement, delivery of operational plans, service indicators and reviews carried out by the National Oversight and Audit Commission and the Value for Money Unit operated by the Local Government Audit Service.

Following discussions over a number of meetings, the Audit Committee agreed a Charter for the Audit Committee and an Audit Committee Work Programme for 2015 as set out below.

Audit Committee Work Programme 2015

Meet separately with Chief Executive (Annually)	Q1 2015
Review any audited financial statements, auditor’s report or auditor’s special report, assess action taken and report to LA	Q1 2015
Approve Internal Audit Charter	Q1 2015
Submit Annual Work Programme to Council for adoption with or without amendment	Q2 2015
Approve Annual Internal Audit Plan	Q2 2015
Review periodic Internal Audit Reports	Q2 2015 and ongoing
Review Annual Budget 2015 and Chief Executives Report on same	Q2 2015
Consider the nature and extent of the Internal Audit Unit	Q2 2015
Review Internal Audit Charter	Q2 2015

Review Internal Audit Plan	Q2 2015
Foster the development of best practice in the performance by the local authority of its Internal Audit Function	Q2 2015 and ongoing
Review risk management policy	Q2 2015
Review relevant findings and recommendations of NOAC and response of CE to same and take further action as appropriate	When received
Review output from NOAC	When received
Meet separately with Local Government Auditor (Annually)	Q3 2015
Consider Financial Update from Head of Finance	Q3 2015
Review financial and budgetary reporting practices and procedures	Q3 2015
Receive quarterly update from risk coordinator	Q3 2015 and ongoing
Review periodic Internal Audit Reports	Q3 2015 and ongoing
Meet separately with employees of Internal Audit Unit (annually)	Q4 2015
Review any Value for Money Studies issued by Local Government Audit Service	Q4 2015
Review efficiency and value for money measures and initiatives with single Directorate	Q4 2015 and ongoing
Review national and local procurement strategies and initiatives with Procurement Officer	Q4 2015
Review risks related to an individual Directorate / Operational Unit	Q4 2015 and ongoing
Receive quarterly updated from risk coordinator	Q4 2015 and ongoing
Review periodic Internal Audit Reports	Q4 2015 and ongoing

A number of items set down in the annual plan for 2015 were not covered within the year. The NOAC reports produced in December 2015 will be reviewed in 2016 and the Audit Committee decided to postpone, until 2016, the review of risk management, value for money and efficiency with one or more of the Council's Directorates, to allow time for the new risk management framework and new operating model for the organisation to consolidate. The Audit Committee were updated in relation to procurement practices under a number of headings during 2015 and decided to postpone a formal review of national and local procurement strategies until 2016. The Chief Executive and the Internal Auditors attended at meetings of the Audit Committee and were available to discuss any issues of interest to the Audit Committee and it was not deemed necessary to meet separately with either during 2015.

5.3 Internal Audit

5.3.1 Internal Audit Charter

The Audit Committee was circulated with a copy of a Draft Internal Audit Charter submitted by Deloitte & Touche.

The Audit Committee welcomed Eileen Healy from Deloitte & Touche to the meeting. Ms. Healy pointed out that Deloitte had been awarded the contract to implement a risk management framework in the Council, a contract that was nearing completion. She noted that Deloitte had also been awarded a 3-year contract to provide internal audit services to the Council.

Ms. Healy reviewed the Draft Internal Audit Charter that Deloitte proposed to operate and, following queries raised by the Audit Committee, clarified the following:

- Deloitte would use their professional judgement in relation to the level of sampling to be carried out.
- With regard to issues being brought to the attention of the Audit Committee, Ms. Healy pointed out that she and her colleagues in Deloitte operated to a code of professional conduct and would not compromise on facts. She noted that it was usual to have discussions with regard to ratings and that recommendations had to be practical.
- Deloitte would place great emphasis on following up the implementation of recommendations and would provide the Audit Committee with updates on same. Deloitte also planned to review the implementation of recommendations made by previous Internal Auditors in the City and County.

The Audit Committee noted the importance of maintaining a balance between materiality and reputation in carrying out internal audit work and suggested that this be reflected in the document. The Audit Committee recommended a number of amendments to the Draft Internal Audit Charter and the Internal Audit Charter was agreed, subject to these amendments

The Audit Committee discussed the role of Internal Audit and the Audit Committee in relation to Bodies or Companies in which the Council has an interest and it was agreed that a list of such companies be provided along with their activities, assets and funding to assist in identifying any risks that might exist for the Council in relation to same.

5.3.2 Internal Audit Plan

At a meeting of the Audit Committee held on 8th May 2015 the Audit Committee was circulated with a copy of a Draft Internal Audit Plan (2015-2018) dated 10th April, 2015.

At the outset, the Secretary to the Audit Committee noted that the list of previous audits carried out by the City Council and the County Council was incomplete and undertook to provide additional reports to Deloitte.

In relation to the audit universe set out in the Draft Internal Audit Plan, Ms. Healy noted that services had been aggregated in same.

With regard to the proposed IT Systems Review, the Head of Finance pointed out that the Council had in excess of 100 IT systems and the title of this review should be made more

specific to match the work that would be carried out. He noted that the Draft Plan was primarily focused on the Finance/IT Directorate and had no coverage of Economic Development & Planning or Community, Leisure & Emergency Services and only a single specific audit for each of Home & Social Development, Travel & Transportation and Environment & Water Services.

The Audit Committee noted the merits of a three-year Audit Plan and the advantage of holding off on finalising the Plan while awaiting the outcome of the review of previous audits. Following discussion, the Audit Committee recommended the following short-term actions:

- That the Follow-Up Review be allocated 10 days and carried out as a desktop exercise.
- That consideration be given to moving the Travel and Subsistence Review to a subsequent year and carrying out the Regeneration Projects Review at an earlier date.
- That consideration be given to moving the Accounts Receivable Review to Year 1 and adding the 10 days saved on the Follow-Up Review to same.
- That both the Internal Audit Charter and Plan be discussed again at a future meeting.

At a meeting of the Audit Committee held on 23rd September, 2015 the Audit Committee was circulated with a copy of the Limerick City and County Council Internal Audit Plan (2015 – 2018), version 0.2.

Mr. Paddy Carroll, Deloitte, gave an update on the implementation of the Audit Plan 2015 and noted that the I.T. Systems Review had been carried out and management responses to same were under review. In relation to the Desktop Follow-Up Review of Outstanding Internal Audit Recommendations, he noted that responses were awaited on the status of a number of recommendations and it was anticipated that all responses would be received within a further 5 days. In response to a query from the Audit Committee, Mr. Carroll indicated that this report would be based primarily on assurances from Management with a number of high level items verified as part of the audit. The Audit Committee suggested that a small sample of lesser risk items should also be verified.

Mr. Carroll circulated a single page summary giving details of a Public Spending Code Review that Deloitte had been requested to carry out as part of their 2015 plan. He pointed out that work in relation to same had already commenced. The Head of Finance informed the Audit Committee that the requirement to carry out this review applied to the entire public sector, with results to be reported back to NOAC, and it was anticipated that similar requirements would arise in the future.

The Audit Committee requested that any internal audit reports on the Public Spending Code should give balanced emphasis to any positive and negative findings. The Head of Finance noted that NOAC had outlined a series of reports required and targets to be achieved in relation to the collection of rates and it was agreed that the Public Spending Code Review would be substituted for the Accounts Receivable Review in the Internal Audit Plan 2015.

It was agreed that Deloitte should finalise and circulate proposals in relation to the Internal Audit Plan 2016.

At a meeting of the Audit Committee held on 11th December, 2015 it was noted that Deloitte's contract had commenced in March 2015 and Deloitte were on track to deliver Year 1 of the Audit Plan by March 2016.

In relation to Year 2 of the Audit Plan the Audit Committee queried as to whether there was an ongoing requirement to carry out internal audits in relation to the Public Spending Code and the A/Head of Finance undertook to clarify same.

The Audit Committee noted that internal audit proposals in relation to reviews of Regeneration projects and planning applications were not fully scoped under the plan. The Audit Committee agreed that the plan for Year 2 be accepted, subject to one possible change, pending clarification of requirements in relation to the Public Spending Code and that the scoping of any areas, not full scoped under the plan, would be completed at that point.

5.3.3. Internal Audit Reports

Procurement

The Audit Committee considered the Draft Procurement to Pay Review dated April 2015.

Mr. Paddy Carroll, Deloitte, reviewed the contents of the draft Internal Audit Report on Procurement.

The Audit Committee suggested that the wording of the risk to be reviewed in section 1.1 of the report could be misinterpreted and that it be changed from "is not compliant" to "may not be compliant."

In relation to the daily payment limit of €15m on Internet Business Banking (IBB), the Head of Finance noted that the payment was the last part of a process involving a three way match between the order amount, the GRN and the invoice. He pointed out that the Council had a 2015 revenue budget of €155m and a capital budget in excess of €100m and that the report from Deloitte presented no evidence of analysis that would support a more appropriate limit.

With regard to authorisation of Internet Business Banking transactions, the Head of Finance noted that, in addition to the division of duties between the Staff Officer Accounts who creates the EMTS payments files and the Accounts Payable Manager who approves the IBB transactions, an additional employee with knowledge of the accounts payable process will now co-approve IBB transactions.

In relation to the raising of orders in advance of purchasing, the Head of Finance informed the Audit Committee that a system generated report, which was under development, would help identify any ongoing breaches of this requirement and facilitate corrective action.

The Audit Committee noted that all invoices were received into Accounts Payable and stressed the importance of entering invoice details promptly into Agresso.

The Audit Committee noted the contents of the Draft Internal Audit Procurement to Pay Review and agreed that it should be finalised, subject to the amendment at section 1.1, outlined above.

Desktop Follow-Up Review

The Audit Committee considered the Draft Desktop Follow-Up Review Report dated October 2015.

Deloitte also circulated a single-page document showing Deloitte's proposed approach to selecting recommendations to include in the "Follow-Up of Implemented Report Point Recommendations Review" and an overview of 32 recommendations, the implementation of which would be verified.

The Audit Committee requested that a small number of the recommendations that had been categorised as "no longer relevant" be verified and that procedures be put in place to monitor the implementation of recommendations categorised as "relevant but not implemented."

The Chief Executive confirmed that the implementation of outstanding relevant recommendations would be monitored by the Management Team and Mr. Carroll noted that updates in relation to same would be given to the Audit Committee at six monthly intervals as part of the Audit Plan.

The Audit Committee agreed that the Desktop Follow-Up Review Report be approved.

Public Spending Code

The Audit Committee considered the Draft Internal Audit Review of Public Spending Code dated September, 2015.

The Audit Committee noted the contents of the report and, in response to a query, the Chief Executive noted that, in relation to Gortadroma Landfill, allowance had to be made for ongoing aftercare, which primarily involved the collection and treatment of leachate. He noted also that the generation of electricity from gas on site continued to provide an income stream, but same would reduce over time.

The Audit Committee noted that the wording of the Risk to be reviewed on page 3 of the report could be misinterpreted and suggested that it be re-worded. A query was also raised in relation to the relocation in the report of Appendix 1. It was agreed by the Audit Committee that the Internal Audit Review of Public Spending Code be approved, subject to the minor amendments raised above.

5.4 Statutory Audits

5.4.1 Consideration of Local Government Auditor's Statutory Report and Annual Financial Statement for 2013 for both Limerick City Council and Limerick County Council

The Audit Committee was circulated with a copy of Local Government Auditor's Statutory Report and Annual Financial Statement for 2013 for both Limerick City Council and Limerick County Council.

The Local Government Auditors, John Collins and Anne Halion reviewed their Statutory Audit Reports and the following points were clarified during discussion:

- The position outlined in relation to housing loans for Limerick County Council compared favourably with other Local Authorities. It was noted that MARP was a slow and emotive process and was not an instant solution to mortgage arrears.
- In relation to vacant housing units, the Chief Executive pointed out that the majority of the issues raised in Value for Money Report No. 27 "Management and Maintenance of Vacant Dwellings in Local Authorities" had been dealt with. However, there were still issues with placing tenants in some houses.
- With regard to Askeaton Pool and Leisure Centre Limited, the Chief Executive pointed out that monthly management accounts were being reviewed by the Company Directors and every effort made to reduce running costs. It was anticipated however that the facility would continue to be subsidised.
- In respect of Internal Audit, the Chief Executive highlighted the benefits of availing of a professional service in this regard and noted that the City and County Management Association were reviewing Internal Audit in the context of shared services at a regional or national level.

As part of discussion on this item, the following points were raised:

- The Council has a Procurement Officer in place who works closely with the National Procurement Office to bring a consistent approach to procurement. Plans were also in place to put a new Procurement Unit in place as part of a larger asset management unit. In relation to evidence of procurement, it was pointed out that this should be in place in accordance with national and local procurement rules unless the procurement had been carried out in response to an emergency. The Audit Committee suggested that a procedure be put in place whereby management formally sign off on emergency procurement operations where normal procurement processes cannot be followed. It was also agreed that procurement be included in the internal audit plan.

- The Local Government Auditor pointed out that their unit produced annual activity reports that could be used to compare the range of audit issues raised across Local Government. They stated that they had not encountered any surprises during their audits but had encountered unique events such as the City of Culture. The Chief Executive pointed out that commitments had been made in relation to this project and cash flow issues had to be addressed. The Audit Committee noted that no concerns with regard to loss of funds had been raised and awaited a report on the accounts of the City of Culture company when available.
- In relation to the European Capital of Culture bid, it was noted that the seven signatories to the Limerick Charter had each contributed €20,000 and the Council, as lead Authority, had set aside €600,000 to fund the project, should the bid be successful. Mr. Michael Fitzpatrick, on secondment from Limerick School of Art and Design, was leading the bid which would build on the experience gained through our national City of Culture year.

The Audit Committee noted the requirement to submit a report to the Council on the Statutory Audit Reports. It was agreed that Deloitte and Touche, Internal Auditors, should be circulated with the statutory audit reports to inform the development of their Audit Plan.

5.4.2 Consideration of Local Government Auditor's Report and Audited Annual Financial Statement 2014 for Limerick City and County Council

The Audit Committee was circulated with the Local Government Auditor's Statutory Auditor's Report for the year ended 31st December, 2014, and the Audited Annual Financial Statement for the year ended 31st December, 2014.

The Audit Committee welcomed Local Government Auditor, John Collins, to the meeting.

Mr. Collins reviewed each item in his Statutory Audit Report and the Audit Committee noted the contents of same and discussed Management's response to the issues raised and commitments made on the future actions, as recorded in the Audit Report.

In relation to fixed assets, the Audit Committee noted the Chief Executive's response in relation to the proposed development of a new property register.

In relation to the insurance fund, the Audit Committee noted that the Limerick City legacy self-insurance liability was further reduced during 2015, as cases were settled.

The Audit Committee requested that all action items in the report be extracted and this would form the basis for regular review by the Audit Committee during the year.

The Committee welcomed the Auditor's opinion on the AFS which was unqualified and the assurance from the Auditor that the financial statements were free from material misstatement, whether caused by fraud or other irregularity or error. It was noted also that no concerns had been raised in relation to loss of funds or value for money.

The Audit Committee noted that, having reviewed the Statutory Audit Report and assessed the Chief Executive's actions in response to same, there were no specific issues that should be brought to the attention of the Council.

5.4.3 Meeting of Audit Committee with Local Government Auditor

In accordance with the requirements of Section 11 (2) of the Local Government (Audit Committee) Regulations 2014, at a meeting of the Audit Committee held on 23rd September, 2015 the Audit Committee met separately with the Local Government Auditor, John Collins.

5.5 Risk Management

At a meeting of the Audit Committee held on 28th January, 2015 The Secretary to the Audit Committee informed the Committee that the contract for the implementation of a Risk Management Framework had been awarded to Deloitte. Work on the project had already commenced with a Draft Risk Management Policy awaiting sign off and risk workshops held with a number of Directorates. It was intended that risk registers would be produced at Directorate and Corporate levels, with the process to be continued by Risk Co-Ordinators in each Directorate who would brief management and the Audit Committee at regular intervals in relation to changes in risk assessments and progress in achieving identified improvements in controls.

At a meeting of the Audit Committee held on 2nd July, 2015, Mr. Carroll, Deloitte, informed the Committee that Deloitte had held a number of workshops with Directorates to identify risks and controls and that the Risk Registers for two Directorates were yet to be finalised. He noted that a Risk Co-Ordination Group, with representatives from each Directorate, would ensure that risk was reviewed on an ongoing basis and that any changes in risk ratings or controls would be brought to the Audit Committee by the Chair of the Risk Co-Ordination Group.

The Audit Committee noted that the Risk Management Policy had been approved by the Management Team and recommended that any change in risk, controls or risk ratings, be readily identifiable on the Risk Registers.

At a meeting of the Audit Committee held on 23rd December, 2015 Ms. Eileen Healy, Deloitte, circulated a single page update on progress in the implementation of a Risk Management Framework in the Council. She proposed that a presentation be given to the Audit Committee at the next meeting on finalisation of the assignment, with the Risk Registers included for review. She pointed out that, following discussions with management, ongoing risk would be monitored by the Council's Senior Forum comprised of Senior Engineers and Senior Executive Officers throughout the organisation and associated with the various structures under the new Target Operating Model (TOM). The Chair of the Senior Forum, would report to the Audit Committee on Risk Management and the Risk Management Framework would be amended to reflect this new structure. It was agreed that details of the TOM would be circulated to the Audit Committee

At a meeting of the Audit Committee held on 11th December, 2015 a copy of the Risk Management Structure under the Council's new Operating Model was circulated to the Audit Committee.

Mr. Carroll, Deloitte, noted that the Terms of Reference for the Senior Forum had been prepared to reflect the part the Senior Forum now played in the Risk Management framework and that Deloitte planned to hold a plenary session with the Senior Forum in the near future. It was noted that the Chair of the Senior Forum would give quarterly updates on the status of Risk Management to the Audit Committee, commencing in March 2016, and that individual Directorates would also be invited to attend at Audit Committee meetings to discuss risk and other issues.

5.6 Financial and Budgetary Reporting Practices and Procedures

Section 122 (2) (a) of the Local Government Act 2001 (as amended) sets out one of the function of the Audit Committee as "to review financial and budgetary reporting practices and procedures within the local authority that has established it"

5.6.1 Financial Updates

At a meeting of the Audit Committee held on 11th February, 2015 the Head of Finance informed the Audit Committee that a Revenue Audit was to commence on 25th February and would cover areas such as VAT, PAYE and PRSI.

At a meeting of the Audit Committee held on 2nd July, 2015 the Head of Finance gave an update to the Audit Committee, which included the following:

- Draft revenue account outturn for 2014 as compared with previous years.
- Percentage rates collection 2010 to 2014 and arrears amount at the end of each year.
- Revenue Budget income 2015 and GPG / LPT income for years 2008 to 2015.
- Analysis of Revenue Expenditure.

In relation to rates arrears, the Head of Finance noted that the Council was prepared to work with customers who entered into payment plans to clear arrears but would resort to legal action if the customer would not engage with the Council. He noted that, while there were a significant number of payment plans in place, a serious provision for bad debts would have to be made. With regard to the rate support for small and medium businesses who received between €50 and €300, depending on the annual cost of their commercial rates, he noted that 431 customers had benefited from this support at a cost of circa. €55,000 and while this assisted in clearing arrears, other solutions were also being looked at. The Audit Committee suggested that an exercise be carried out to identify the percentage of rates owed by customers in various rate demand bands.

The Chief Executive informed the Audit Committee that a considerable increase in house building activity by the Council was anticipated and there was a need to increase skills and manpower in response. He noted that a significant number of senior staff had left the organisation, resulting in increased pension expenditure, with fewer staff to pay pension contributions and that, in general, there was a requirement to recruit additional clerical officers and general operatives. The Audit Committee suggested that these issues be reflected in the Risk Register.

The Head of Finance noted that a new version of Agresso was to be installed. The project was to go live in the summer of 2016 and a team of five staff had been assigned. Two other sites had already acted as pilot sites for the software. The Audit Committee noted that new versions of software can introduce functions that may not be used and suggested that the initial focus should be on any technical upgrade, followed by a review of operational improvements.

The Audit Committee noted the Council overdraft 2014 at €37.5m and the risk associated with same. The Head of Finance pointed out that he had no desire to incur expenditure from the overdraft and that he planned to wind down the overdraft over time. The Audit Committee suggested that the risks associated with the overdraft, along with mitigating controls, be reflected in the Risk Registers.

At a meeting of the Audit Committee held on 23rd September, 2015 the Audit Committee was circulated with the Income and Expenditure Summary by Service Division for the Capital and Revenue Accounts to quarter ended 30/06/2015 and noted same.

At a meeting of the Audit Committee held on 11th December, 2015 The A/Head of Finance circulated and presented a PowerPoint presentation setting out details of the Adopted Budget 2016 for the Council. It was noted that a number of schemes were in place to encourage small and medium businesses to pay their rate demands. The Chief Executive confirmed that these schemes had resulted in a considerable increase in rates income at a reasonable cost.

The Audit Committee noted the extent of expenditure on HAP. The A/Head of Finance confirmed that the Council was operating HAP as part of an interim transactional shared service project on behalf of 19 Local Authorities and this did not represent a drain on Council resources. He noted that the administration of HAP had gone to tender and, if the Council was successful in bidding for same, HAP would become permanent part of this Council's finances. He noted that it might be appropriate for the Audit Committee to await the outcome of the tender process before considering HAP for inclusion in the Audit Plan.

5.6.2 Review of Debt Management Policy

The Audit Committee reviewed the Limerick City and County Council Debt Management Policy Version 1.1 April 2015.

The Head of Finance informed the Audit Committee that this policy reflected best practice from both amalgamated authorities and would provide a standard approach for a single Debt Management Unit, the establishment of which was under review.

In response to queries from the Audit Committee, the Head of Finance clarified that the Council was still collecting non-domestic water charges on behalf of Irish Water. With regard to the monitoring of arrears, the Head of Finance noted that the Council used Ascendas software to record and monitor payment plans with customers seeking to clear arrears.

The Audit Committee noted the Debt Management Policy and discussed the merits of including reporting procedures in same.

5.6.3 Review of Financial and Budgetary Reporting Practices and Procedures

The Head of Finance circulated and presented details of the Council's financial and reporting process and the primary budgetary and financial controls.

The following points were clarified by the Head of Finance following queries from the Audit Committee:

- The Agresso Financial Management System was based on accrual accounting with the job code as the primary unit against which expenditure was charged. Controls around the set up of job codes and the establishment of an associated business case provided initial value for money assurances and subsequent budget management was centred on the job code, with budgets loaded against each code.
- There was a division of duties between those who raised and authorised purchase orders and authorisation limits were set for various budget holders.
- Agresso was a robust system in national use and was operated by an excellent team of staff.
- Commitments on the Agresso system were registered when an order was approved. Any goods received note (GRN) logged on the system had to be supported by a delivery docket. Payments could only be made when there was a 3-way match between the order, the GRN and the invoice. All invoices were dealt with by Accounts Payable.
- As noted in the Procurement to Pay Audit, procedures were being put in place to identify purchases where the order was raised after the date of the invoice and all invoices were examined closely at the start of each year to ensure that the purchase was charged to the correct year.

In relation to emergency purchases made without raising an order in the normal manner, the Audit Committee suggested that the approval for same should be at a higher level than normal.

5.7 Audit Committee Briefings

5.7.1 Change Management

Ms. Carmel Kirby from the Senior Change Management Team briefed the Audit Committee on the principal aspects of the change management process under the following headings:

- The background to and rationale of the process.
- The delivery of services under the broad headings of physical, social and economic.
- The plan for change including a focus on customer service, supported by a detailed service catalogue, and the development of a new target operating model.
- Short term plans to develop an asset management unit which would provide for the procurement, maintenance and protection of assets across the organisation.
- Objectives for 2015.

The Audit Committee thanked Ms. Kirby for her presentation and queried as to whether the direction being taken by the Council in its new operating model was in keeping with relevant national policies and programmes in areas such as procurement and shared services. Ms. Kirby noted that an aim of the operating model was to build an agile organisation better equipped to respond to changing circumstances and policies and with the potential to take on services currently provide by other agencies.

In relation to the monitoring of management and financial reports, a discussion took place on the challenges associated with providing financial reports along traditional lines, based on programme groups, when the new operating model was structured across Directorates. It was also noted, in this regard, that operational areas did not coincide with Metropolitan and Municipal Districts. The Head of Finance pointed out that every effort was being made to mirror the new organisation structure in the financial management system which allowed for the “job” as the main cost centre to have multiple relationships on the system. He noted also that work was underway to reduce the number of jobs in the system to provide more meaningful management reporting.

The Audit Committee raised the issue of possible reduced controls through the loss of division of duties between Directorates arising from the establishment of units that worked across Directorates, with enforcement used as an example. It was agreed that all new operations should be thoroughly risk assessed as they are developed / implemented and that controls should be made explicit as part of procedures. It was suggested that monitoring this process could form part of the work of the Internal Audit function and should be kept under review by the Audit Committee.

5.7.2 Limerick City and County Council Corporate Plan 2015-2019

The Audit Committee was circulated with a copy of the Limerick City and County Council Corporate Plan 2015-2019.

Ms. Carmel Kirby, Project Manager, Change Management presented the Audit Committee with an overview of the Corporate Plan that included the Council's strategy, approach and structure, along with the seven aims highlighted in the Plan and how the Council would monitor delivery of the Plan.

The Audit Committee thanked Ms. Kirby for her presentation and highlighted the importance of communicating the Plan to the public, measuring the output from the Plan and ensuring that the output had an impact on, or was visible to, the public. It was suggested that the 'Corporate Plan' title be rebranded to link to the seven aims of the Plan. The benefits of a 6-monthly review of the Plan over an annual review were also raised.

Ms. Kirby noted that operational plans were directly linked to the Corporate Plan and the delivery of operational plans was handled through PMDS, which included mid-year reviews.

The Audit Committee discussed the Customer Relations Management (CRM) system being developed and noted that, in many such systems elsewhere, the Customer Services staff were too junior and too far removed from decision-makers.

Ms. Kirby stressed the importance of ongoing training for Customer Services staff and the quality and maintenance of the documentation used by Customer Services to support the services covered. She also emphasised the importance of the supporting role provided by back-office staff.

5.8 Miscellaneous Items

5.8.1 Excellence in Local Government Awards

The Audit Committee extended congratulations to the Chief Executive and Staff on their success in the Chambers Ireland, Excellence in Local Government Awards in which the Council achieved the Local Authority of the Year award as well as a number of individual category awards.

5.8.2 Open Source Software

The Audit Committee discussed the data security risks associated with open source software. The Head of Finance noted that the Council had protocols in place in this regard and that a review of IT systems was to be carried out by Deloitte as part of the Internal Audit Plan.

6 Conclusion

2015 was a time of significant changes within the operation of the Council as well as being a period of establishment for the Audit Committee and a period of adjustment to its new role. As is evident from this report the Audit Committee actively engaged in carrying out its

functions as set out in section 122 of the Local Government Act 2001 (as amended) and the Audit Committee Charter.

**John Field,
Cathaoirleach.**